

BEFORE THE IDAHO BOARD OF TAX APPEALS

VALLEY COUNTY ASSESSOR,)	
)	
Appellant,)	APPEAL NO. 15-A-1009
)	
v.)	FINAL DECISION
)	AND ORDER
STAFFORD REVOCABLE FAMILY TRUST,)	
)	
Respondent.)	
)	
)	
)	

COMMERCIAL PROPERTY APPEAL

This appeal is taken from a decision of the Valley County Board of Equalization modifying the protest of valuation for taxing purposes of property described by Parcel No. RP16N03E104806. The appeal concerns the 2015 tax year.

This matter came on for hearing October 14, 2015 in Cascade, Idaho before Hearing Officer Cindy Pollock. Anthony Francesconi appeared at hearing for Appellant. Michael Stafford represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

The issue on appeal concerns the market value of a commercial property.

The decision of the Valley County Board of Equalization is modified.

FINDINGS OF FACT

The original assessed land value was \$139,650, and the improvements' value was \$1,026,836, totaling \$1,166,486. The Valley County Board of Equalization reduced the improvements' value to \$500,000, with no change to the land value, resulting in a total value of \$639,650. Appellant contends the original assessed values are correct and should be reinstated.

The subject property is a 2.512 acre parcel with frontage on Highway 55 located

approximately one-half (½) mile north of Donnelly, ID. The parcel is improved with a 6,334 square foot commercial building constructed in 2007, as well as, a 588 square foot garage.

Appellant characterized subject's commercial improvement as above average in terms of quality and craftsmanship. Appellant described the architecture as above average and noted the interior of the structure included stone tiling, granite countertops, built-in cabinetry, and several high quality ornamental features. The building was also noted to be wired for computer networking.

In support of its value claim, Appellant considered the three (3) approaches to value; the cost approach, the income approach, and the sales comparison approach. The latter approach was not developed due to the dearth of sales involving similar commercial improvements as subject. According to Appellant, none of the recent commercial sales were similar to subject in terms of quality, use, and age.

Appellant presented two (2) income approaches. The first used subject's actual income and limited expense information. The analysis yielded a total value conclusion of \$932,775, with \$793,125 attributed to subject's improvements. The other approach was developed using general market commercial income and expense information from rural Idaho counties. Appellant determined a value for the improvements of \$851,048 and a total value of \$990,698.

Ultimately, Appellant argued for reliance on the cost approach. Using information from the Marshall & Swift valuation service, Appellant concluded a value for subject's improvements of \$1,067,144, or a total value of \$1,206,794, including the land.

Respondent contended since subject's purchase in 2009 for \$400,000, commercial values in the area had not improved. Opinion letters from five (5) local real estate professionals

characterized the commercial market as being flat or declining as much as 16% over the past several years. Respondent also noted subject had been on the market for roughly 50 months with an asking price of \$699,000. In early 2014, the asking price was increased to \$899,000 for about three (3) months. Near the beginning the listing period, Respondent reported receiving only one (1) offer for \$500,000. Respondent further referenced a listing from 2011 involving a similar type of commercial building with an asking price of \$795,000, or \$43 per square foot, which did not sell. Based on these factors, Respondent argued subject's improvement value should be reduced to \$400,000.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2015 in this case. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

The three (3) primary methods used to determine market value are the income approach, the cost approach, and the sales comparison approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). In many instances, the income approach is used to value income-producing properties, however, the other approaches can also yield reliable value

conclusions.

The Board appreciated the information provided by Respondent, however, it was found to be insufficient to grant the requested value reduction. Subject's purchase in 2009 is too dated to be a reliable indicator of current value and the same is true for the referenced 2011 listing. Subject's listing information was certainly relevant, however, did not provide sufficient grounds on its own to reduce subject's assessment.

Appellant explained commercial improvements in the county are assessed using the cost approach and argued the same should be used in this instance. The cost approach is a recognized valuation method, however, its universal application to all commercial improvements county-wide might not necessarily result in an accurate market value determination for each individual property. Such is likely the case here. Appellant estimated the improvement's replacement cost new less depreciation at \$1,067,144. While the Board does not doubt it would likely cost roughly \$1,000,000 to replace subject's building, this figure does not adequately consider what a buyer in the market would actually pay for the property. It is well established, "[c]ost and value are not necessarily synonymous terms" *In re Appeal of C. C. Anderson Stores Co.*, 86 Idaho 249, 253, 384 P.2d 677, 680 (1963). Indeed, this is sometimes a weakness in relying solely on replacement cost calculations, without consideration for other market factors, which in this particular case point to a lower value. Both of Appellant's income approach conclusions were notably lower. Further, subject was on the market for more than four (4) years with asking prices well below the cost indicator. Listing information is not conclusive evidence of market value, though such information can serve as an indication of the upper range of value. Of all the market value evidence submitted by both parties, only Appellant's cost

approach concluded a value in excess of \$1,000,000. In the Board's view, Appellant's request for a singular reliance on the cost approach was inadequately supported, given the other value indicators available.

The Board understands it is not always possible to obtain income information for use in an income approach, however, such is not the case here. Respondent provided subject's actual income. We are cognizant of the fact using the income and expense information of just the property being valued could result in an unreliable value conclusion. Where possible it is necessary to consider broader market information. In this case, we have a mixture of both available; subject's actual income figures and some market expense information derived from other rural commercial property. Given the general lack of background and support for other income approach evidence, the Board finds good cause to blend the information used in Appellant's two (2) income approaches. Using subject's actual gross income, expenses from the broader market, and an 8.00% capitalization rate, the indicated value of subject's improvements is \$750,650. The Board also found it just to also consider, in a lesser way, the value evidence from Appellant's cost approach and subject's somewhat recent listing.

In accordance with Idaho Code § 63-511, Appellant has the burden of proving error in subject's valuation by a preponderance of the evidence. Based on the totality of the evidence, we find the burden of proof satisfied. As such, the decision of the Valley County Board of Equalization is modified, to reflect an increase of subject's improvements' value to \$750,000, with no change to the land \$139,650 value, resulting in a total value of \$889,650.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Valley County Board of Equalization concerning the subject parcel be, and the same hereby is MODIFIED as detailed above.

Idaho Code § 63-3813 provides that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 29th day of December, 2015.